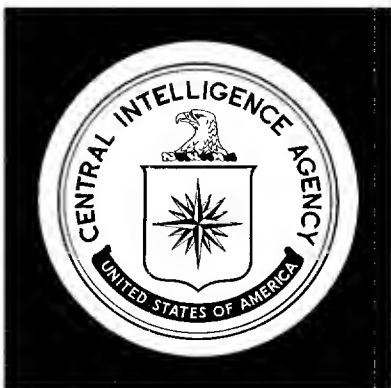


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret**Nº 042**

State Dept. review completed

15 December 1971

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Approved For Release 2003/08/08 : CIA-RDP79T00975A020700060001-5

Approved For Release 2003/08/08 : CIA-RDP79T00975A020700060001-5

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No. 0299/71
15 December 1971

Central Intelligence Bulletin

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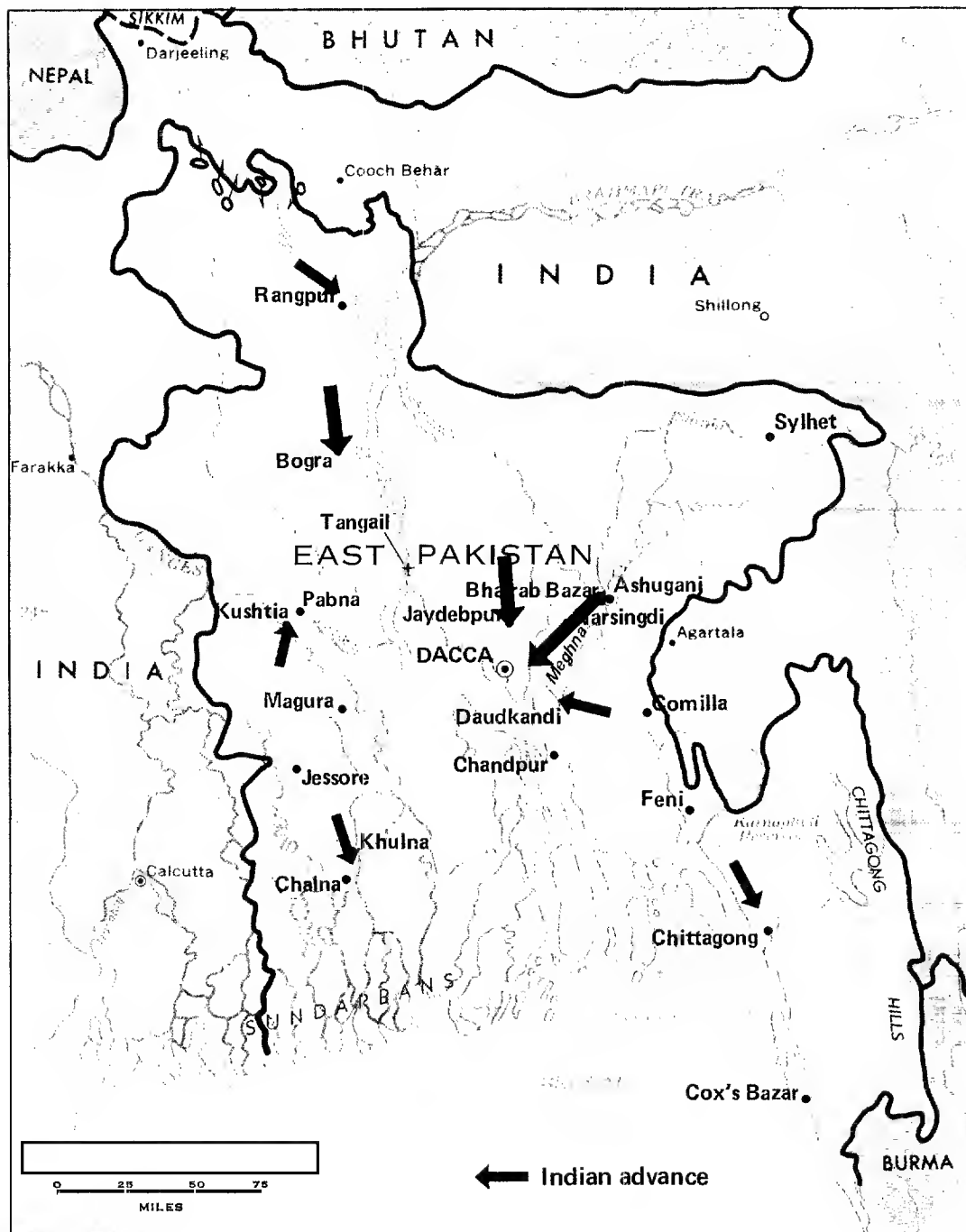
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INDIA-PAKISTAN: The Indians began shelling military targets in Dacca yesterday as their armored and infantry units probed the city's outer defense perimeter. Although the Indians now claim to have sealed off all escape routes from the capital, they may be holding off storming it for the moment in hopes that the Pakistanis will decide to give up instead of making a bloody last-ditch stand. The Indians claim that some Pakistani troops around the city have already surrendered.

In Dacca itself, meanwhile, the civil administration has virtually collapsed. Governor Malik resigned yesterday and joined other high Islamabad-appointed officials in seeking Red Cross protection at the International Hotel, which the Indians recognize as a neutral zone.

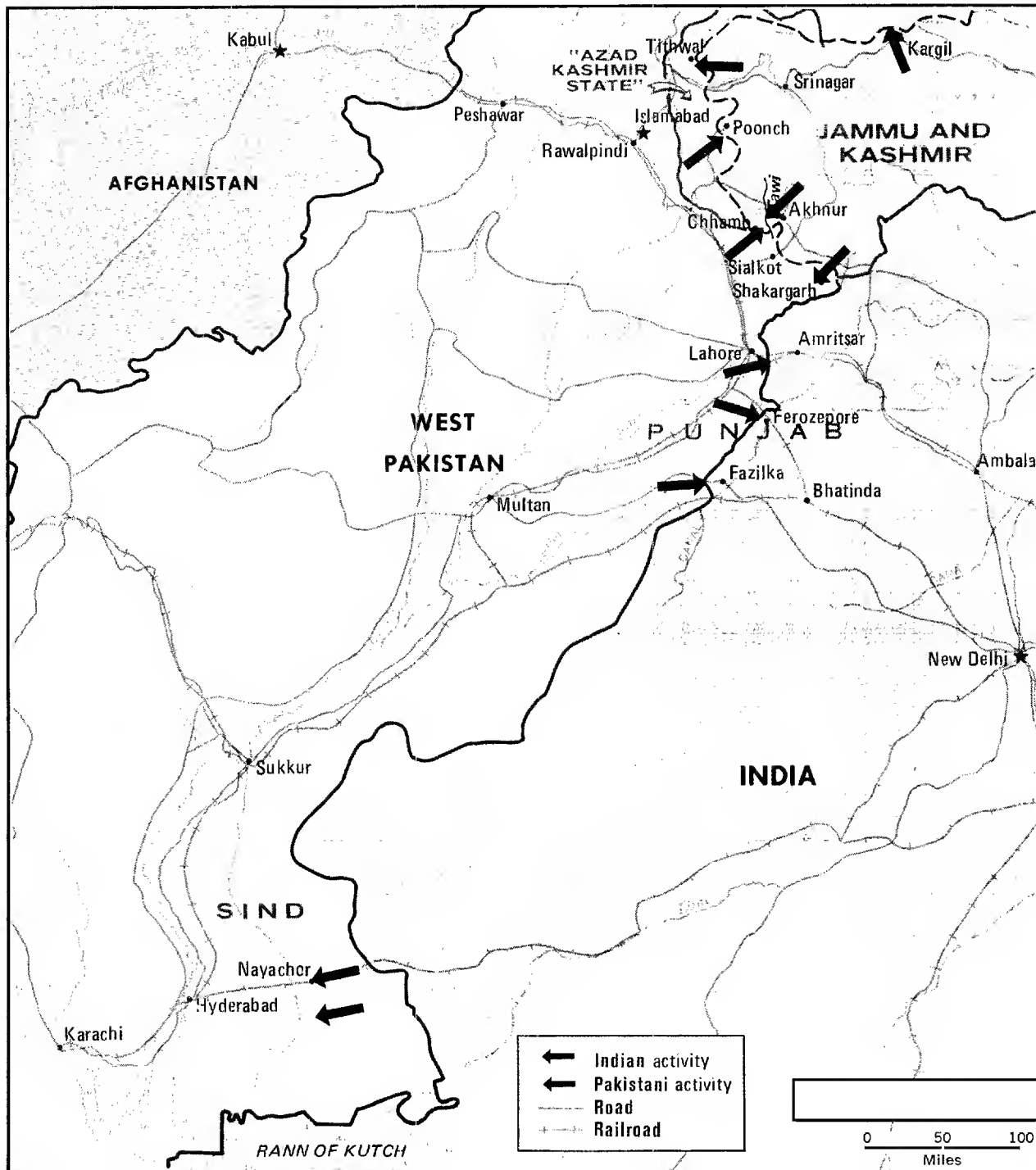
Indian forces have reportedly advanced to about eight miles from Chittagong, East Pakistan's most important port. The Indians claim they are giving the city a heavy pounding from the air and sea. Elsewhere in the province, some Pakistani forces continue to hold a few isolated spots. Where the Indians are now in firm control refugees are beginning to trickle back to their homes from India. According to a representative of the UN High Commission for Refugees, 30,000 people have returned so far, most of them heads of family who are exploring conditions.

According to the Indian press, New Delhi has agreed to send civil servants into East Pakistan to help the new Bangla Desh government set up an administrative network there. The US Consulate in Calcutta believes that although Bangla Desh authorities recognize the need for personnel, their request for Indian aid is also motivated by a desire to prevent radical groups from seizing control in many areas where the administrative structure has lapsed.

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On the western front, the situation remains largely unchanged. Except for patrolling and some small-unit clashes, there was little fighting anywhere except in the Sialkot sector where the Indians said they were trying to capture the town of Shakargarh, ten miles over the border.

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The UN Security Council is scheduled to reconvene at 1030 EST today. The only draft resolution formally before the Council is a Polish one that calls for the freeing of Mujibur Rahman and for a settlement recognizing that a majority in East Pakistan supports him politically. It is a non-starter, because the Chinese have already said they will veto it. A British draft that may be offered today could have a somewhat better chance for Security Council approval. It calls for immediate cease-fires in East and West Pakistan and Kashmir and for negotiations that would lead to a political settlement supported by a majority in East Pakistan. The UK resolution does not deal with the withdrawal issue.

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YUGOSLAVIA: Resignations and calls for additional expulsions from the party are pouring in all over Croatia and the purge of nationalists shows no sign of abating.

Top levels of the Croatian party apparently are having difficulty adjusting to the situation. The central committee on Monday failed to agree on a telegram to Tito reporting the results of its plenum, which accepted Tito's criticism at last week's federal party plenum. This indecision may end as new leaders begin to assert themselves.

The new leadership in Zagreb seems to be made up of Tito supporters. It is headed by party president Mrs. Milka Planinc, an education specialist from the pre-reform era; party secretary Josip Vrhovec, an ex-partisan and inflexible ideologist; and executive bureau member Milan Miskovic, an ex-federal secretary for internal affairs who aided Tito in ousting the Rankovic faction from the federal party in 1966. Miskovic's brother Ivan serves as Tito's special adviser on internal security.

There were additional outbreaks of hostility toward the new conservative republican regime. Four hundred students rioted for the second night in Zagreb and two more Croatian student leaders were arrested in Split. Tito, over the past weekend, briefed a group of generals led by Defense Minister Ljubacic on the current political situation. Tito often has used this device in periods of stress--for instance, at the time of his break with Stalin in 1948.

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EC: The agreement on national fishing rights reached on 12 December has cleared the way for the UK, Denmark, and Ireland to sign the EC accession treaty by mid-January.

The agreement, largely forged by the UK, allows the maintenance of exclusive national fishing rights within a six-mile limit that may be extended to 12 miles in specified areas where fishing is the main industry. These provisions will continue in force for a "transition" period of ten years after which the EC will review the entire agreement.

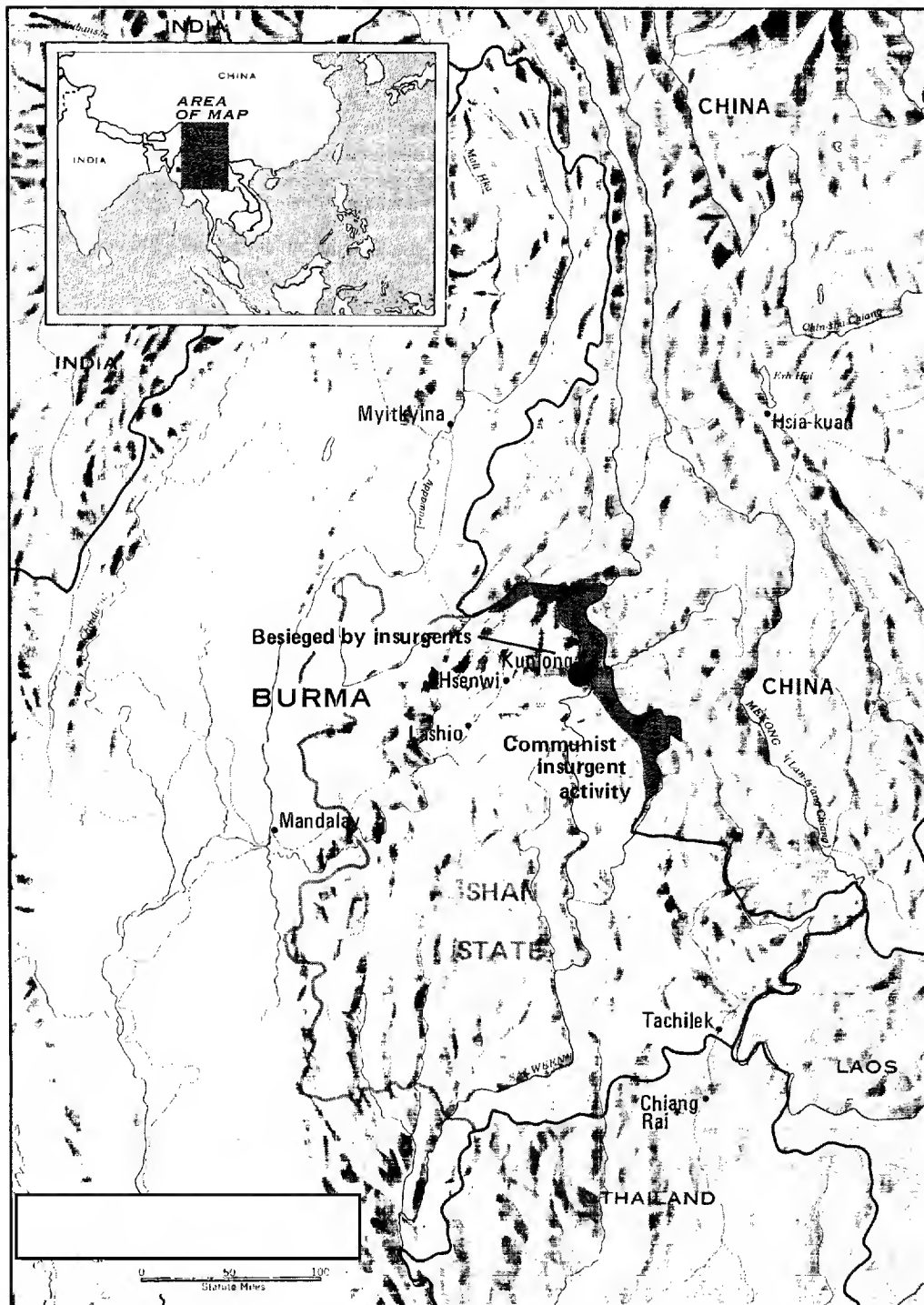
Norway, Europe's leading fishing nation, rejected the agreement and will probably not sign the accession treaty with the other three candidates. The Norwegians seek a special protocol to allow protection of their fishing rights beyond the transition period. Oslo still hopes, however, to continue negotiations and to sign the accession treaty soon.

Although the ratification process will take most of next year, UK cooperation with the EC is rapidly increasing. At the meeting of the Group of Ten finance ministers in Rome in early December, Britain carefully concerted its position with that of the Six, and it has endorsed the position the EC has taken on the upcoming trade negotiations with the US. The UK also joined with the EC members in coordinating action in the UN on the debate on the Middle East this week.

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BURMA: Communist insurgents continue to exert heavy pressure in the northeast.

The district town of Kunlong has been isolated since the outbreak of fighting in late November, and government reinforcements so far have failed to open the road into the town from the west. Other Burmese outposts in the area also have been hit, and the government has sustained over 100 casualties. Government commanders, evidently believing that the insurgents hope to take Kunlong to expand the control they already have over the area east of the Salween River, are determined to hold the town.

Rangoon, nonetheless, is attempting to minimize the seriousness of the tactical situation and its effect on Burmese relations with China. Deputy Prime Minister San Yu has told the US ambassador that the Communists do not have sufficient logistic support for sustained operations and that there has been some diminution in Chinese logistic support for them since General Ne Win's visit to Peking in August. San Yu admitted that the insurgency situation had not changed fundamentally, suggesting that the Kunlong fighting has tempered Rangoon's optimistic expectations that the restoration of relations with Peking would diminish Chinese support for the insurgents.

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ECUADOR: Internal pressures have weakened the Velasco government to a point that it fears to compromise in its fisheries negotiations with the US.

In conversations this week with US officials, the Ecuadoreans have refused either to establish some sort of escrow fund for the license fees and fines or to give assurances against a resumption of seizures of US boats when the next fishing season opens on 1 January. The 78-year-old President Velasco said that such accommodation of US interests would mean the end of his political career.

The most important pressure comes from the armed forces. Their leaders, already displeased with Velasco for meeting with Fidel Castro in Guayaquil earlier this month, would see any compromise on fishing regulations as dimming the prestige they have gained from the navy's role in seizing US tuna boats.

Other pressures stem from the government's precarious financial situation. Teachers are already on strike in Guayaquil because of arrears in salary payments, and other labor disputes threaten to boil over.

General elections are scheduled for June, and the campaign is due to begin next month. Velasco clearly fears that any apparent weakness in the face of US interests would undermine his administration to the extent that the military might step in before the electoral process is completed. As a result, a continued firm position and more seizures of boats can be expected.



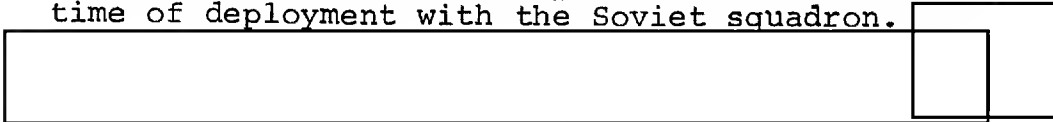
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NOTE

USSR: A relief force of eight F-class attack submarines and a J-class cruise missile submarine now off the Norwegian coast apparently is en route to the Mediterranean. These diesel submarines from the Northern Fleet are being accompanied by a tender and will probably reach the Mediterranean near the end of December. A similar submarine force has been in the Mediterranean nearly five months, a normal time of deployment with the Soviet squadron.



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